



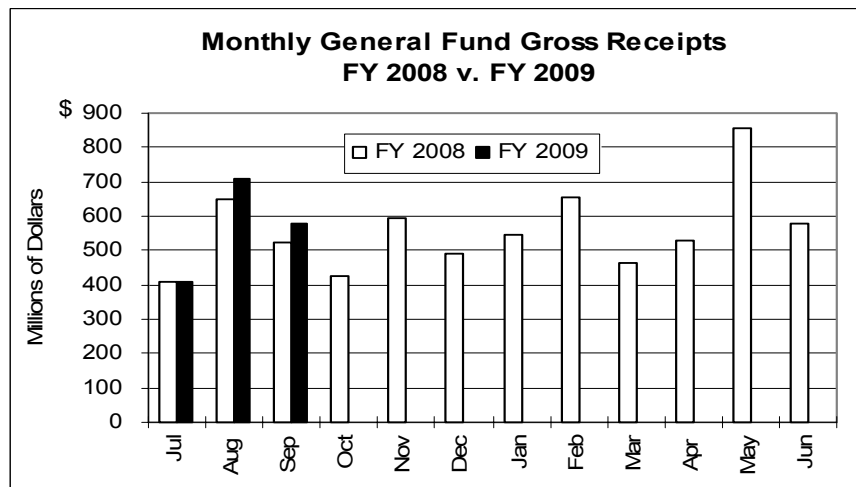
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: October 1, 2008

Monthly General Fund Receipts through September 30, 2008

The attached spreadsheet presents total FY 2009 General Fund gross receipts with comparable figures for actual FY 2008. The figures can be compared to the FY 2009 estimate of \$6.852 billion set by the Revenue Estimating Conference (REC) on April 4, 2008. The FY 2009 estimate is an increase of \$133.8 million (2.0%) compared to actual FY 2008 gross cash receipts (excludes refunds, transfers, and accrued revenue adjustments). The sales and use tax rate increase that went into effect July 1, 2008, is not currently reflected in the FY 2009 REC estimate. The next REC meeting is scheduled for October 9.



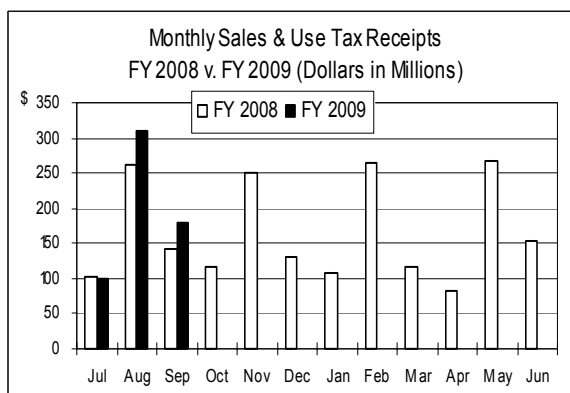
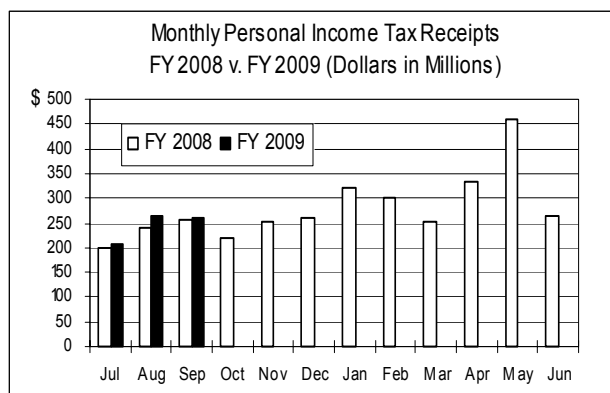
FY 2009 Compared to FY 2008

Year-to-date FY 2009 gross cash receipts (excluding transfers) increased \$113.0 million (7.1%) compared to FY 2008. The June floods and the federal stimulus package likely have impacted recent revenue trends. Major revenue sources contributing to the FY 2009 change include:

- Personal Income Tax (positive \$35.8 million, 5.1%)
- Sales/Use Tax (positive \$80.7 million, 15.9%)
- Corporate Tax (negative \$6.1 million, - 6.0%)
- Other taxes (positive \$1.3 million, 0.9%)
- Other receipts (positive \$1.3 million, 1.0%)

Personal Income Tax revenues received in September totaled \$260.3 million, an increase of \$2.5 million (1.0%) compared to September 2007.

The FY 2009 REC Income Tax estimate of \$3.502 billion represents a projected increase of 4.2% compared to actual FY 2008. Through September, total Income Tax receipts increased by 5.1%. By subcategory, withholding payments increased \$25.7 million (4.4%), estimate payments increased \$10.8 million (11.7%), and payments with returns decreased \$0.6 million (- 3.9%). The following chart compares FY 2009 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2008.



Sales/Use Tax receipts received in September totaled \$179.5 million, an increase of \$36.0 million (25.1%) compared to September 2007. The State Sales/Use Tax was increased from 5.0% to 6.0% beginning July 1, 2008, with the increase replacing the School Infrastructure Local Option (SILO) sales tax. Beginning in August, Sales/Use gross tax receipts were no longer adjusted for SILO sales tax payments to school districts. This adjustment accounted for \$28.8 million of the increase in September.

The increased Sales/Use Tax rate is not currently reflected in the REC estimate. The REC estimate for FY 2009 Sales/Use Tax receipts was \$2.055 billion, an increase of 2.7% compared to actual FY 2008. Through September, total gross Sales/Use Tax receipts have increased 15.9%. The adjustment for SILO sales tax payments to school districts accounts for \$57.7 million of the increase. The preceding chart compares FY 2009 monthly Sales/Use Tax receipts with FY 2008.

Corporate Tax receipts received in September totaled \$56.0 million, an increase of \$4.7 million (9.2%) compared to September 2007.

The REC estimate for FY 2009 Corporate Tax revenue is \$424.2 million, a decrease of 12.3% compared to actual FY 2008. Year-to-date total Corporate Tax revenue has decreased 6.0%.

Other tax receipts received in September totaled \$33.2 million, an increase of \$4.8 million (16.9%) compared to September 2007.

The REC estimate for other tax revenue is \$502.7 million, an increase of 1.8% compared to actual FY 2008. Through September, Other Tax revenue has increased 0.9%.

Other receipts (non-tax receipts) received in September totaled \$48.8 million, an increase of \$6.6 million (15.6%) compared to September 2007.

The REC estimate for FY 2009 other receipts revenue is \$368.6 million, a decrease of 3.2% compared to actual FY 2008. Year-to-date total Other receipts has increased 1.0%.

Tax Refunds issued in September totaled \$58.7 million, \$34.1 million (138.7%) above September 2007. Beginning in August, 2008, School Infrastructure sales tax payment adjustments are posted as refunds and accounted for 84.6% of the total refund increase in September. Year-to-date refunds totaled \$152.4 million with school infrastructure payments accounting for 37.8% of the total.

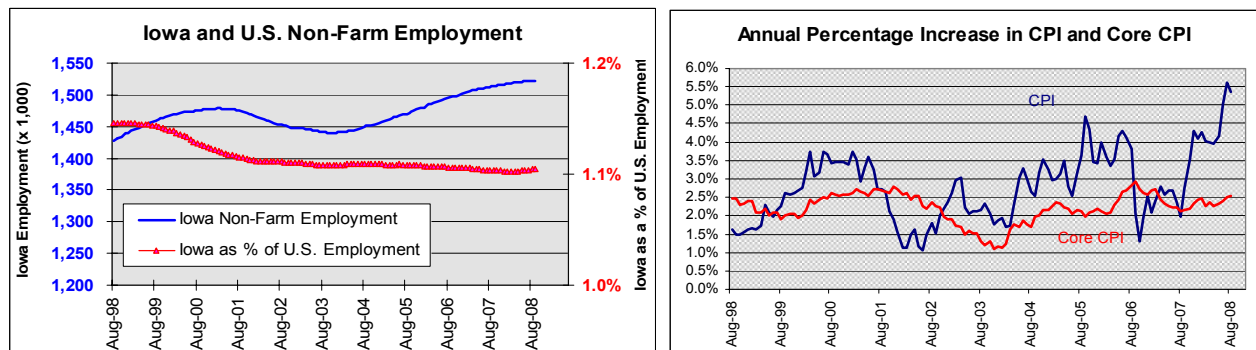
Net Receipts (gross cash receipts adjusted for cash refunds) through September stood at \$1.544 billion, \$37.4 million (2.5%) above the previous year's amount through September.

Status of the Economy

Iowa non-farm employment was reported at 1,512,500 for the month of August (not seasonally adjusted), 5,000 higher (0.3%) than August 2007.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current 12-month average reading is now 1,522,700 so annualized Iowa non-farm employment is 43,900 above its 2001 peak and 82,700 above the 2003 low.

The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The percentage has increased slightly the past eight months and is at its highest level since January 2007.



Consumer prices decreased 0.4% during August (not seasonally adjusted). The Consumer Price Index (CPI-U) through August 2008 was 219.1 (1983/84=100). The August year-over-year change of 5.4% makes the statistic above 5.0% for the third consecutive month but down slightly from the July level. The overall inflation rate has generally increased since mid-2004, when the price of oil and other commodities started to rise significantly.

Core CPI, an inflation measure excluding food and energy prices, increased in August and stands at 2.5% in the year-over-year comparison. The core inflation rate declined considerably from the early 1990's through March 2004 but has not been below 2.0% since August 2004. For the two components excluded from the core rate, energy prices decreased 5.2% in August but currently stand at 27.2% in the year-over-year comparison and food prices are up 5.9% year-over-year, its highest rate since 1990.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2008 vs. FY 2009 July 1 through September 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 08 Actual Compared to FY 09 REC Estimate		
	FY 2008	FY 2009	Year to Date % Change	September % Change	Actual FY 2008	Estimate FY 2009	Projected % Change
Personal Income Tax	\$ 697.6	\$ 733.4	5.1%	1.0%	\$ 3,359.7	\$ 3,501.9	4.2%
Sales/Use Tax	507.8	588.5	15.9%	25.1%	2,000.2	2,054.7	2.7%
Corporate Income Tax	102.4	96.3	-6.0%	9.2%	483.8	424.2	-12.3%
Inheritance Tax	18.2	21.7	19.2%	46.8%	78.4	76.0	-3.1%
Insurance Premium Tax	52.5	48.1	-8.4%	-100.0%	111.7	127.1	13.8%
Cigarette Tax	58.0	60.4	4.1%	22.2%	229.5	225.8	-1.6%
Tobacco Tax	5.7	6.2	8.8%	-15.8%	21.2	20.9	-1.4%
Beer Tax	4.3	4.3	0.0%	-6.7%	14.5	14.5	0.0%
Franchise Tax	7.4	6.2	-16.2%	-10.9%	37.6	37.4	-0.5%
Miscellaneous Tax	0.1	0.6	500.0%	0.0%	1.0	1.0	0.0%
Total Special Taxes	\$ 1,454.0	\$ 1,565.8	7.7%	10.0%	\$ 6,337.5	\$ 6,483.5	2.3%
Institutional Payments	3.6	3.9	8.3%	15.4%	14.9	12.8	-14.1%
Liquor Profits	13.8	15.3	10.9%	164.1%	72.4	70.5	-2.6%
Interest	5.2	4.2	-19.2%	-25.0%	25.3	19.0	-24.9%
Fees	21.1	19.4	-8.1%	-32.7%	82.1	77.7	-5.4%
Judicial Revenue	16.4	16.6	1.2%	8.2%	90.0	90.8	0.9%
Miscellaneous Receipts	8.8	12.9	46.6%	-19.4%	36.1	37.8	4.7%
Racing and Gaming Receipts	60.0	57.9	-3.5%	11.1%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,583.0	\$ 1,696.0	7.1%	10.4%	\$ 6,718.3	\$ 6,852.1	2.0%